

Property Tax Town Hall Meeting

April 16, 2019

Georgetown, TX

Larry Gonzales – Former Representative of the Texas House of Representatives

It's 6:30, so we're going to go ahead and start. My parents pastor a little Pentecostal church, and they would always wait for a crowd to come in before they would start. This little man told my mom one time, you start on time out of respect for those who are here on time. It's 6:30 and we're starting. Welcome tonight for the Property Tax Town Hall provided by the Williamson County Appraisal District, Williamson County Tax Office. Those of you who I do not know, I'm Larry Gonzales. I had the honor in serving as state representative for House District 52, Round Rock, Hutto, Taylor and parts of Georgetown, for seeming forever, but it was only eight years. I will be moderating tonight's discussion for you guys. Thank you to Georgetown ISD for letting us use this incredible facility.

The purpose of tonight's Town Hall will be a general overview of the property tax system in our state. Because we fund local government the way we do, it places an emphasis on the property tax. Tonight, we're here to help you understand generally the big picture how this process works. Now I'm going to add a little comment to my written notes here. I think it's important that everybody understands exactly what your variables are when you go into this system. It is complicated and there are lots of questions, and unfortunately, thank you social media, there's a lot of bad information out there. It's amazing the number of questions and comments you get because someone heard something, or somebody read something that wasn't accurate. Tonight, we are going to be here to help you understand the big picture. The presentations and Q & A of the presenters will last about an hour tonight, but afterwards we do have some folks here from the tax office and the Appraisal District who will stay a little bit longer to answer your individual questions.

I will introduce you to these presenters tonight. The actual bios I was told was in the information. We're going to skip the resume and just skip to the conversation. Alvin Lankford is the Chief Appraiser at Williamson Central Appraisal District and he is going to speak about the appraisal process. Larry Gaddes is our Williamson County Tax Assessor Collector, he will speak about the tax rates. Steve West, who is a former CFO for Georgetown ISD will speak about school funding. I was thinking a little bit after that, and when they're done, about the legislature and where they are right now, and what that looks like with the number one issue pressing that body which, is property tax reform. With that, I am going to turn it over to Alvin, and I am going to let him start his presentation.

Alvin Lankford – Chief Appraiser of Williamson Central Appraisal District

Good evening everybody, can you hear me OK in the back? All right, thank you for coming, the turnout actually amazed me. We were taking bets on whether it would be 20 people that would show up or we have a full house, and I think we landed on full house, so glad you all are here tonight.

This idea came about at the board meeting we had a few months, maybe even a year ago now, and really to be transparent to you as property owners on this whole process that we have with property tax in our state. With that, I get to start you off on a simple property tax equation we have in our state. We will get in a little bit more elaborate detail in a few minutes, but the equation is taxable value, times the tax rate, equals the property taxes that you will pay. Sounds very simple right? Let's talk about who is responsible for each of those. The first one, the value that's the responsibility of our office the Appraisal District. We place values on your property for tax purposes. The next one, the tax rate, is the responsibility of the

individual taxing units. Your cities, your county, your schools. They formulate the tax rate. The reason they formulate that tax rate is they have a budget. They have monies that they need to provide you with the services. The more interesting portion of this I believe, is when do these things happen. The values that we place on your properties are as of January 1st each year, but they're placed on your property at the time we send that phrasing notice out, that personal invitation you send everybody in here right. You all received a few weeks ago from our office. During that time, we have no idea what the end results in taxes will be. All we know is what's going on in the market as far as sales transactions. That doesn't occur until later. The taxes do not occur until later.

Remember this is happening at the beginning of the year. If I choose a number at the beginning of the year, that is then multiplied by another number late in the year, who is determining the outcome of that equation? The taxing units that are formulating those tax rates, that are budgeting for those services, of those that form the amount of tax that will be paid. Let's think about this, if we have an increase in values of a certain percent, let's say 5%, if you do not have a corresponding decrease in the tax rate of the same percentage, what has happened? You have seen an increase in taxes. Because if they don't decrease the tax rate at the same percentage, they're collecting more taxes than they did the prior year. I'm not saying those taxes are justified. They provide good services to our county, to our schools, to our teachers, to the roads. Everything that they do for us in the community, it's based on that tax rate in their budget. But who determines the amount of tax paid is not the Appraisal District.

But unfortunately, we've had an imbalance in our system within the state of Texas for many, many years. Last year we have 57,000 protests that formally came through our office of the Appraisal District. If you think about how many people actually showed up for the tax rate hearings at most of the taxing units, I'm here varying numbers, but it's usually between zero and two people. Okay, so what part of the equation are people taking advantage of? It's only the appraised value. I'm here to encourage participation in the entire process. We're a democracy, that's what this is supposed to be about. You're supposed to participate in the process, you're doing that tonight. I encourage you to have that same level of participation when that second number is chosen as well. Those property tax bills go out in the October time frame, they're due upon receipt, so that is our responsibility as taxpayers. We pay those bills after that point.

Let's talk about market value. Market value is what we place on your property. There is no limitation on market value. I see this all the time on social media, hear it from conversations from individuals. Isn't my value only supposed to go up by ten percent? That is not the market value. The market value is representing what the primary would sell for on January 1st of the year, and so we're using comparable sales to get there. However, the assessed value, which I'll talk about a few minutes, is the one that is capped at that 10 percent increase. Now remember, we're at a hundred percent of market value, we have to be there not because we want to be, because I get to see 57,000 of you come into our office, but that's a huge disincentive to get there. We're there because the Comptroller's office, by state mandate, comes in and actually audits the Appraisal District for those values. If we do not achieve a full market value on those properties, guess what, they remove state funding from our schools. And so, it is our responsibility as an Appraisal District to get to that value, because we're going to be audited, and if we lose state funding for our schools, you lose teachers for your kids. Not only that, if you don't lose teachers then who is going to make up that difference? The local tax base, not the state. And so, keep in mind those values are increasing because we're following sales, but not because we want to increase, it's because of where we're at.

Let's talk about that market value formulation. We're utilizing sales in your neighborhood, so the picture you're seeing above you here, above me here, is the map of a particular neighborhood in Williamson County. As you can see it's highlighted, and you can tell on the monitor in kind of a blue color, so that's the area we are pulling sales from. The sales are indicated by the dollar signs that you see up there, and so we utilize those sales. We take a look at where our values are when it comes to the cost it would take to replace that home, lessing a depreciation for its age, and then we use a multiplier that we would

increase or decrease it to make the value of those properties to get to those sale prices. That's how we get there. Again, we're audited by the state to make sure we do.

Next is the assessed value. I mentioned this a while ago, this is the one where you actually have a cap on the amount of increase you will see. 10% if you have a homestead, which means that it's your primary residence, and you apply for a homestead at our office, is the most the assessed value can go up from one year to the next. Very simple math. You had a \$100,000 home last year, Appraisal District says it's worth a \$115,000 this year, the most you're going to have in assessed value, \$110,000. So you're only going to go up at 10%.

The next part of that equation is taxable value. This was the value I talked about that you multiplied times the tax rate. Remember, we started with market value, we have assessed value, which is capped at 10%, then you take off any applicable exemptions to your property. If you have a homestead for instance, \$25,000 is removed from your assessed value before it's multiplied times that tax rate to get your taxes. So those are the three terms that are actually in the pamphlet we handed you when you walked in today, so if you ever want to go back and look at them you will be able to see them there.

Next, we have a simple version of the property tax calendar. I won't go over a lot of detail here, but the first part of it is about July through January of every year. Our appraisers are in the field, we are measuring new homes, we've measured over 7,500 new homes this year in Williamson County. They are checking existing properties for changes that we've received permits on. They're out there gathering information for that valuation. That valuation timeframe begins to the December/January time frame when they come in, they take a look at the information they've collected, and start placing values on that home as to what it would sell for on January 1.

We send notices out on April 2nd, not April 1st. I'll give you one reason for that, they're not an April Fool's joke, right, so we're sending them out to you on April 2nd, you receive them shortly thereafter. Keep in mind on your notice you're going to see that there is a time frame that you can walk into our office without an appointment. So that appointment is not necessary, just come in and see us if you have a concern about your value.

After that point, there is a deadline to protest your property value, May 15th. At that time, we'll start scheduling hearings for you to come into our office at specific date and time, and that date and time you'll actually be able to come in again, speak with an appraiser then if you don't agree with that appraiser you can move on then to the Appraisal Review Board that will determine your value.

And about July, once we're done with most of those protests, we turn that value over to the taxing units to then formulate that tax rate I talked about a few minutes ago. They look at their, value they look at their budget, and they figure out what that tax rate needs to be to be able to fund that budget. They turn it over to Larry's office, and he gets to send you the bills.

When you come in on a market value protest, this is what you're going to see. It's a sales comparison grid, on the, very, very quickly, on the very far left, is your property, to the right is the sales that we're utilizing on your valuation. We're going to adjust for differences. The easiest adjustment I can think of it as a pool. Let's say one of those comparable sales has a pool, and you don't. We want to take the value of that pool out of that sale price before we compare it to your property. Does that make sense? We want to make those adjustments, then we come down to a value that we give you at that point. You can make a determination if you agree or not agree. If you don't agree, then you can go before the Appraisal Review Board and plead your case to them as well. Appraisal Review Board is a group of citizens that actually hear those hearings, listen to your case, listen to our case, make a decision.

The other popular method is equal and uniform. That means you feel that your value is higher than other properties that are like yours in your neighborhood. In that case you see something very similar, is what you see here except you're starting with appraised values and not sales, and making those same adjustments and coming to a value conclusion. We try to give you information, we will show exactly where

those sales, where those equal the uniform comparables are being pulled from. As you can see they're right around the subject property that's highlighted in red. They're going to be in that neighbor comparably, but this is what you'll see when you actually come in for a value protest.

Next, we have the WCAD market data. This is on WCAD.org, this is our website. This is one of the new features we've had in the last year. What this is, is, if you go on your property, search your property, at the very top there's going to be a little red house icon. Click that, and what you'll get is some statistics that you're going to see on the bottom left here. I know you probably can't read that from the audience, but kind of give you an idea what's there. Details of your property, details of all the properties that are in your neighborhood, so the average square foot, the range of square footage, the average value, range in values, and then it gets into the average sales. What the average sale price was, the range of those sales, how many sales we had in your neighborhood.

That's interesting information, but I think the more interesting information is where they are located. So if you click that big red button at the bottom there it takes you to a map of those sales. Recognize that map a while ago, the same neighborhood we've been looking at, dollar signs are the sales that we use in your neighborhood to value all the properties there. Click on one of those dollar signs and it gives you details about that property. We can't give you the sale unfortunately, there is some restrictions in the tax code that do not allow us to do so, but we give you a lot of information about that sale. You'll have the quality of the property, you'll have the age, the size, and then guess what, Google is amazing. Put that address into Google and a lot of times you'll come back with the sale price. There's information out there associated with the web, or you call your local realtor. They'll give you that information as well. I encourage you to this before you file your protest, only because most people, because Texas is a non-sale disclosure state where not everybody knows what you paid, so you really don't know what the market is doing in your area. This is a way for you to find out. You can actually go out there and look and try to determine whether or not that appraised price that we put on your home is right. I would highly encourage to do this, instead of come in and then you're forced to spend your time to see the new market value we placed on your property was exactly right. This gives you an opportunity to do that ahead of time. You can also file a protest online and get the exact same information through a sales comparison we will give you online in email. Last slide I have today is our videos. We were the first Appraisal District in the state to put out videos such as this. You go on our website on the bottom right hand corner you're going to see a videos area. Flip that, and you'll give you a list of videos that go through how we appraise properties, how what I was just telling you, what the protest is like. I was you know, I spoke to many property owners throughout the years and they were really intimidated by the process until they actually went through it. This will give you an idea of what that looks like. We'll also talk about how we measure your property, so there's a lot of information out there that I believe will come you through this process of understanding what it is we do at the Appraisal District. With that I want to thank you for your time and I'm actually going to turn it over to Larry Gaddes now to talk about his portion.

[Larry Gaddes – Williamson County Tax Assessor/Collector](#)

I don't think I need to tell anybody exactly what the Tax Assessor Collector does. I think we're all pretty familiar with that but, there are two things on this slide, the top two bullet points are things that we do in our office that most people have no clue is happening during the tax year. That is calculating truth in taxation rates, and if publishing notices on behalf of the taxing units. My office gets information from the Appraisal District and we get some information from the taxing units, and the tax units are county, school districts, cities, ESDs, MUDs. There are special districts, ACC the Junior College District, so when we say districts or taxing units, all of those are the are the taxing jurisdictions in Williamson County and there are 105 of them that tax our properties throughout the county. Those are the tax units that we're talking about when we when we go through this.

We calculate truth in taxation rates. That is the effective rate and the rollback rate. If you've heard them, they have been discussed thoroughly in the discussions of the legislation this session, and the effective rate is the rate that a taxing unit would adopt to get the same revenue this year that they got last year. If

they adopt the effective rate, that means that they're not raising taxes because they're getting the same revenue this year that they got last year. What happens is if value is, and this is just speaking in general terms, if values in that taxing unit go up about 6%, you, that taxing unit should be able to adopt a tax rate that's about 6% lower and get the same amount of revenue that they got the previous year. Does that make sense? If a taxing unit adopts a rate that is higher than the effective rates, they are effectively raising taxes because they're getting more revenue from the companies in that jurisdiction than they got the previous year. We also calculate the rollback rate in my office. That rate is the, that's the infamous rate in Senate Bill and House Bill 2 that allows taxing units to get about 8% more revenue from maintenance and operations taxes than they got in the previous year, before they get a trigger that you could possibly vote to lower that rate. If they adopt a rate that's higher than the rollback rate, then there's a potential that you could petition to have that rate be put on a ballot and the voters decide whether that rate needs to be lowered down to the roll back rate and locked in. Those are just two rates that we calculate, but it's all truth in taxation process.

We do that through the month of August typically, and then we publish the notices on behalf of the taxing units. Everybody gets a newspaper here right? No? OK. For some reason the legislature thinks that it is a program to put tax rate adoption meeting and hearing notices in the newspaper to inform citizens about what the effective and roll back rates are for taxing jurisdictions, and when those taxing jurisdictions are going to have their public hearings and their meetings to adopt the tax rate. My office publishes, we calculate the rates, we gather some information from the taxing units, and we put those notices in the newspapers. Typically in the local papers and the Wilco Sun. There's a few of those notices that go on the Austin American-Statesman. It's very expensive to put those notices in there, but we do a few of those, and then Hill Country, Taylor Daily Press, the Hill Country paper out in Liberty Hill. You'll find notices typically in the month of August in those newspapers letting you the taxpayers know when those taxing jurisdictions, the rate that they're proposing, their effective and rollback rates, and the meetings, the dates and times of the meetings and when they're going to be adopting those tax rates.

So those are two things that my office that we're doing typically in the month of late July throughout the month of August and early September that most people don't know that we're working on. The calculate rates and publishing notices. The one thing everybody knows we do is calculate and mail the tax bills. I like to say that I do math. I take the value from the Appraisal District and the rates from the taxing units and do the math on those. There's an equal sign there, and then there's a big number with a dollar sign in front of it on the other side, right? That's the tax bill that we send out. We collect those funds and disburse them back to the taxing units. This is the point in the program where I get to say I do not keep any of your money. I have to give it all away. I like collect on behalf of the 105 taxing units in the county, take in all that money, and it's approximately 1.4 billion dollars for everybody, and take that money and then I gave it back to everybody that levy that tax rate. Again, that's the schools, and the cities, and the county, and MUDs, and ESDs.

Bills go out, our office we set a goal to get the bills out, and hopefully around the middle October, about October 15th taxes are actually due upon receipt of that bill. Most people think that taxes are due on January 31st. They're actually due upon receipt of the bill. They are delinquent if not paid by January 31st. If we receive your payment on February 1st, or your envelope is postmarked February 1st, you'll unfortunately incur 7% penalties and interest per the property tax code if that payment is late. I encourage everybody, let me make a statement right now. Please, please, please do not wait until the very last day to drop your envelope in the mailbox. The post office has no guarantee that they're going to put a post mark of that day on that envelope, and unfortunately, we have to have some very difficult conversations with folks who put their envelope, their payment in the mailbox on January 31st and the postmark postmarked, the post office postmarked their payment February 1st and they incurred 7% penalties and interest. So just public announcement there, please don't wait until the last day to mail your property tax payments.

So probably the most important things you want to hear, how can you lower your tax bill. There are three things that I typically talk about to groups about what you can do to lower your property tax bill. The first thing Alvin has already discussed, and that is protest your value if you have evidence that shows that it should be lower. And you talk about what that evidence is, sales in a neighborhood, and you've got a map there that shows folks about sales you use to determine their value, but if you have evidence to show that it should be lower, by all means please protest your value with the Appraisal District. Applying for the appropriate exemptions. There are four major exemptions that you might be eligible for, and I'm going to go into those in detail here in just a second, but make sure that you apply for and have received the appropriate exemptions on your property, specifically your residence. Then attend budget and tax rate hearings. And this is probably the most difficult part of the thing that you can do, it's the most time-consuming but it is the most important piece that you can do to have an impact on your tax bill. Alvin mentioned earlier, I was witness to the County Commissioners court when they adopted their tax rate. You said you had 57,000 properties that were protested in Williamson County last year, out of about 230,000, right? 57,000 out of 230,000 were protested for their value. I was at the Williamson County Commissioners Court where two people out of 600,000 residents in Williamson County, two people stepped up to the podium and said Commissioners Court, please lower my taxes. And they didn't give any solutions or offer any solutions as to what they were willing to do without or with the Commissioners Court should cut from their budget in order for those taxes to be lower. This is the part that I hear from school board trustees, I hear from city council members, I hear from Commissioners Court. We wish we would hear from taxpayers about what they're willing to do without. Because typically what they hear is, we want better schools, better roads, more teachers, and so on, and so forth, and that kind of stuff costs money. We've got to present solutions to the governing bodies of our taxing units if we want to see our tax bills go down instead of up. Attending budget and tax rate hearings, I'm going to talk a little bit more in detail on that in just a second.

Let me touch upon your exemptions. So, find your property, I know my website or Alvin's, and look up your specific property and make sure that if you have, if you live on that property, if you have a homestead exemption, that homestead exemption is going to save you typically based on where you live, anywhere between \$300 to \$350. Okay? If you have any 65 or over exemption on your property, that's going to save you an additional \$150 to about \$500. It varies greatly because there are some taxing units they give exemptions to over 65, and there are some that don't, so it really depends on where your property is. It's going to determine the benefit that you receive from any of these exemptions. They can range anywhere between \$150 to \$500. A disabled person's exemption can save you anywhere between \$150 to \$500. Again, depending on where you live, and if you're a disabled veteran you also get an exemption based on the level of your disability. That saves you anywhere between \$100 and \$200 and sometimes up to \$300 if you have a disabled veterans exemption. Now these exemptions, specifically the homestead, the savings for the over 65 or disabled, get added to your homestead exemption, so you can save anywhere between \$600 to maybe in some cases up to \$1,000. If you have a homestead exemption and a 65 or disabled exemption added to that. Special note here, you cannot receive 65 or over and a disabled persons exemption on the same property. You're going to have to choose one of those exemptions. Another benefit to the 65 or over and disabled persons exemptions is there are some portions of your tax bill that will freeze, and I'll talk a little bit about that also.

So back to the budget and tax rate Meetings. There are some important things you need to know. Which taxing units levying a tax of your property, when do they adopt their budget and tax rates, and what you are willing to without to have a lower tax bill. There's a portion on both the Appraisal District's website and my website when you search for your property, there's a portion that you scroll down there's a list of the taxing entities on your property. On my website, and I believe both on the Appraisal District's website as well, you can click on each one of those entities. This is my house, and I am being taxed by the City of Round Rock, Williamson County, Austin Community College, Williamson County Road and Bridge, that's the Williamson County FM/RD, a taxing jurisdiction there, the Round Rock ISD, and Upper Brushy Creek Water Control and Improvement District. I've got six taxing jurisdictions, and I can click on each one of those it'll take you to that taxing jurisdiction's website.

Come in August when we publish those notices telling you when the tax rate hearings are going to be, those notices will also be published on these entities websites and you'll be able to find out when their tax rate hearings are going to be so you participate in this process. I do want to give you real quick, wilco.org/propertytax, or tax.wilco.org. That's my office's website. You'll see a lot of information there about your taxes that are due. The Appraisal District's website is wcad.org. Williamson Central Appraisal District, and they've got more specific information about your house and how they value it, the square footage and stuff like that. Both of those websites there, you can get to find out which taxing jurisdictions are taxing your property. There's links there where you can go to their websites. Again, starting in in August, we'll be posting the notices to their websites telling you when they're going to be having their tax rate adoption hearings, meet in meetings, and then hopefully we get to talk a little bit more about that about the legislation that's been proposed that gives you some more information see more tools on how you can participate in this process.

I'd like to introduce Steve West, former CFO for Georgetown ISD. He is going to talk about local property taxes for school districts, and the state funding, how those two mesh, and the impact each one of them has.

Steve West – Former Chief Financial Officer of Georgetown ISD

Our public education system in the state of Texas is funded significantly by local property taxes. When I talk about state funding, I'm talking about not the debt service side, which I'll address a little bit separately in a minute. More maintenance operations. What it takes to pay teacher salary, to operate buildings, pay utilities, things like that. So that's what we call maintenance operations piece. About 55% of funding at the state level, the state budget level, is funded through property taxes. Property taxes and state paid are married and form an anomaly when it comes to calculating effective tax rates and roll back rates. School districts do not get 8% on top of an effective rate, plus debt to fund their programs at the local level. They're subject to some slide I'll show you in just a second, that shows basically the interplay between state funding and local taxes. So not all the taxes that are collected in Georgetown stay in Georgetown, and you'll see that in just a minute.

The slide is really difficult for you to read, it's too small, but basically maintenance operations side of the tax rate which in Georgetown is \$1.08. Many districts would be a \$1.00, which it was the maximum the school could opt without voter approval. Georgetown had an election in 2012, but the amount of local taxes were maintenance operations to the \$1.08. So basically, it's used for utilities, salaries, supplies, just general operations, which are called household. Not the mortgage of your household, but just the operations of your household. Groceries, utilities, etc. like that. It has limits. Limited to \$1.00 for our compressor late, and it has a maximum to \$1.17. As I said earlier, Georgetown is at \$1.08. It requires voter approval for rate greater than the \$1.00 for which you did in 2012 at the beginning of the year. The desert battle perhaps issues for retirement of long-term debt and principal. Its voter approved, generally capped at 50¢. Georgetown is not at 50¢, it's a much lower rate, around 32¢ I think. It cannot be used for general operation expenditures.

I want you to have a picture of state aid and the interplay between state funding and local taxes. These three, you see three containers here, each container is partially full to completely full. One on the left side represents, the dark section represents local taxes, in the middle you have this half full representing your local taxes from the local community, and then you see on the right-side container is totally full and flowing over. What does this represent? There's an inverse relationship between local property taxes for school districts and state aid. As one goes up, as local taxes go up, state aid goes down. You see there's less to be filled in the middle cup, or container, so the state when it pours its money in, fills it to the brim, but it doesn't, it didn't have to replace local taxes. Whereas the other, first lot of container on the left, you have more state aid going into that particular school district. Then you still have a roughly equal level of funding for each one of those school districts, it's just the amount of money coming from state or local sources varies. This is what's called the equalization system.

Since about 1994, when the courts ruled, and legislation passed legislation, it's required the state and local funding can be equalized. That is tax from one district with very low property values would generally be the same amount of money per kid as a rich or affluent district in terms of property value per student. Property values per student does not represent wealth of a community. Wealth of community is totally separate. Property values per student has to do with the numbers of students in a geographic area of a school district at the relative wealth that's associated. A district that very few students may have high level of wealth, and thus have a very high wealth per student with the community. They basically it well at all. Wealth per student is not tied to economic level of people who live there or their numbers. So there's an inverse relationship between state and local taxes.

The state sets the amount of revenue or resources that a school district can get, so regardless of what we collect in taxes, here in Georgetown or Round Rock, or any other particular school in this county, the state, that was going to be offset in terms of state versus local taxes. You can see it on these two examples. In the third example you find what's happened in Georgetown and some other school districts in the state that are called recaptured districts. In 1994 there were 34 districts totaling \$131 million of excess money that was collected over what the state allowed to keep per school district. In 2018 is got almost 200 school districts and the total is not \$133 million, but two billion dollars. That's excess money put it into the state coffers that is used to fund public education and other things for the progress on education. Georgetown finds itself in the last container, and property taxes that are collected don't stay in Georgetown. All of those dollars don't go to Georgetown. Higher taxes will not mean more spending by the local school district as evidenced by the size of the container, it stayed the same regardless of the school district. It just depends on how much money you get from each source of funding. That gives you kind of an overview of what it looks like at a very high level or how education funds come from other both state local sources.

Larry Gonzales

My name is Larry Gonzales, I am not elected anymore. Man, what's amazing in a meeting like this, every single sentence that all three gentlemen have said tonight is so critically important. If you're trying to take notes what you'll find is you can't keep up, because all of it is important. Every sentence goes on the sentence before it, and all three pieces work together. This is the complexity and the difficulty in the system, which is why wonderfully these guys have said let's go talk about this a bit more. I'll tell you this, I have a few talking points, but I am probably better in the Q & A section coming up if you have specific questions about the legislature right now.

I am following it pretty closely, so let me tell you this. The number one issue in the state of Texas as for every poll I've seen, is my property taxes are too high. I don't care where you live, I don't care how to vote, I'm telling you everything we've seen is, my property taxes are too high, and they want the legislature to fix it. As you can see there's a lot of moving pieces here and what is the Legislature's job to fix it, versus what is the local entities job to set their rates? We struggle at the Capitol with a conversation about whose job is it. If your tax is going up there are some who think, well that's responsible at the local entity, they're accountable at the election box, hold them accountable in the elections. That has predominantly been the conversation, which is take it up with your ISDs, the city council, or Commissioner's Court. They are the ones that are that are adopting those rates.

However, there is a big push from legislature that they should cap. Where you guys talk about an 8% rollback. The conversation of the capital has been, we want an automatic trigger, not an election. 8% qualifies you to go to an election for that number. The conversation now is an automatic trigger, where it goes to an automatic election with voters approving. What's that number? Two years ago, the Senate said 4%. It's 8% now. Two years ago, the Senate said four and the House said six, and we never got to a number. It came to the next year. Well it makes sense, right? If one is at four and once at six, then clearly you start at two and a half. Man, I am glad I am not elected any more. The conversation started at two and a half. I'll tell you what happened today. The Senate has adopted three and a half for cities, counties, special districts, and two and a half for your ISD. There's a little problem, so when the House passes a

budget and the Senate passes a state budget, five from the House, five from the Senate get together, ten men and women from across the state fight the final \$220 billion state budget. Ten people. Yeah was that kind of crisis. Talk about the budget. There's a line in the budget on funding education which assumes a certain rate of growth to pay for education. 6%, 4.7%. There's a number in there, year one, year two. What do you do when you face a budget that pays our share of public education, that assumes a certain number, and then you pass a bill that's half of that number?

Where's the delta? I don't know. I ask that question all day today, where's the Delta? Who's paying the Delta, because you're on a budget based on, to pay for our fair share of education, we fix some issues with assumption of 4.7, 6.0, or whatever that number is, but the Senate bill now says 2.5. That's interesting. I don't know the dynamics to that, and what goes on there. The Senate has Senate Bill 2, the House has House Bill 2. Those are your property tax reform. Reform, not relief. Legislature got in a little bit of trouble over the years because they kept calling it tax relief, or they would say tax cuts. Nothing about this, what they're doing in Austin, nothing about this, reduce or cuts your taxes. Nothing. I think when you get to social media or some elected officials really misuse the words when they talk about the tax cuts or tax reliefs, because truth is what they've really done is they slow the rate of growth in your tax bill. That's what they have really done.

If your tax bill was going to go from 10 to 16, and only went from 10 to 12, we go, well you know, there's your relief. Well not really, because what the people see is my tax bill went up, and what the legislature says is not as much as it could have. But I don't think that meets the demand of what the voters are asking.

Larry Gaddes

Can I jump in here for a second? I just want to comment on what these two guys have said. Steve, I think in 2006 the state was funding just for Georgetown ISD specifically, you told me 50% of your funding came from the state, 50% came from local property taxes. Last year 37% came from the state, 63% came from local property taxes. So that is how the state legislature has shifted the burden to local property owners specifically on the school taxes, and that is your biggest tax out of your entire tax bill. Anywhere between 50% to 65%, 66% of your tax bill is for the school district. This whole discussion about school funding is the only way really to lower taxes in a meaningful way, because so much of it comes through the state and funds the biggest consumer of our property tax, and that's a school district.

The other piece I just want to point out, this guy over here, the state constitution says he has to value property at market value and use the sales of properties to help determine what that value is, but I'm going to tie both hands behind your back and put a blindfold on you, and you're not allowed to know what the sales are. You've got to find a way to figure that out. I think that's disingenuous. I think that that particular part needs to change in state law. I do want to point out that HB 3 is the school funding bill, and there's been articles written that say that on average it's going to lower or compress the tax rate approximately 4¢ for most school districts throughout the state. So Round Rock ISD, I've got a \$1.04 is my maintenance and operations rate for Round Rock ISD. It's going to go from a \$1.04 to \$1.00. That for pennies on a \$300,00 home. It's going to save me \$10 a month. \$10 a month, this is what property tax relief sounds like at the state legislature. It's going to save me \$10 a month, pumping \$6.4 billion into the school above and beyond what they're spending today. An additional \$6.4 billion in school funding is going to save me \$10 a month, and if your property value goes up 4% the next year, you've just erased that savings that you got.

Larry Gonzales

Steve was right. Steve talks about the percentage of each entity. As your local share of your ISD goes up and up, what is the state doing? The state has reduced its share. It used to be in his 50/50 range, and actually it should be I think. What happens now is it got down to as low as 37%. What they're looking at now, is in House Bill 3, they're getting back to about 43% is kind of where they're getting now. But that's a significant amount of cash from the state. Should they do it, sure, but understand that if you don't have a

whole lot of money, it's coming from someplace else. Now we happen to be in a time in Texas right now, we have money. We have money to spend and we're spending it, however we (unintelligible). When you start doing the math on increased public education, teacher pay raises, money, money, money, money, and over here, reduce taxes, reduce taxes, reduce taxes, boy at some point we got to start seeing those numbers add up. It's going to be tricky for the next two months to see how those numbers are going to add up.

Now if you are Austin ISD, and Steve touched on this as well, Austin ISD, they are property rich, which means they get a whole bunch of money in taxes. But they are, I think the number, it's got to be over 70% free reduced lunches. Property rich, but the people themselves don't have a lot of cash. You know, the last I checked, Austin ISD, due to the Robin Hood program was sending \$500 million elsewhere. That numbers getting higher and higher for Round Rock, and around here you are starting to see those numbers get out of kilter as well. It's just amazing to me to get a piece of the puzzle though, is that we've got House Bill 1, and Senate Bill 1 of the budget. House Bill 2 and Senate Bill 2 are their property tax relief. Then you got a reduction to what it is now. Then you got House Bill 3 and Senate Bill 3 which is education funding.

It's really critical that all three of those work their way together. If you don't get three and two right, then one is wrong. They had this balancing act right now where not only do one two and three, they're trying to make those work, they're trying to make them work in each body. Imagine when they do figure out one, two, and three in the house, they do figure out one, two, and three in the Senate, and they're not the same. There lies your compromise. That's when those guys start hammering out and figure out exactly what that looks like, it's complicated and I'm so glad these guys have put this together for us.

I'm a huge fan the Q and A. I think there's so much more to gain because then we're talking about that. Let me throw out a couple of, because we know from the frequently quickly asked questions, we know it's out there, I'm going to throw up a couple to going, just to make sure that we touch the ones that we know we're going to be asked.

Question: Does the Williamson County Appraisal District raise values as results requests from taxing entities?

Answer – Alvin Lankford: I've been doing this for 10 years as Chief Appraiser in this county, and I can honestly say I've never had had a single city, school, County, any of them ask me to raise values. The reason values are being raised here in our county: We are one of the fastest growing counties in the state of Texas. We have an amount of demand in this county that is unreal. The number of people moving into this county versus the supply of homes being provided for those people do not equal. If you remember back in your economics classes, supply and demand factors have to equal for prices to make maintain. What's happening is, you have a huge amount of demand and not enough supply, so prices are going up. I said earlier we've measured 7,500 new homes in this county. It still wasn't enough. Until we see those things equal, until the builders build enough homes to meet the demand, you're going to continue to see raises in value.

I don't raise them because I want to, I raise them because the sales are telling me to. If I don't, as I mentioned in my presentation, our schools lose state funding. What Steve was talking about a while ago, we have even less of it. We get no state funding or unlimited state funding if I do not put values where they should be. Keep in mind I'm trying to do my job as outlined by the state legislature. When I raise values, guess what happens, I get to see more of you in the office. That is a huge disincentive. I do not want to deal with more protests. It's unfortunate, but that's the case. So, no, we do not raise values at the request of entities.

Question: What if I forget to file my homestead exemption? Will I get a refund?

Answer – Larry Gaddes: I believe the Appraisal District, that's a little wonky thing, you file your homestead exemption, your over 65, disabled persons, and other exemptions at the Appraisal District. They let us

know that you've filed it, because they've got to confirm ownership with the property, they know that you own the property. They let us know that that homestead is on the property, and then we recalculate your tax bill. If you forget to follow your homestead on your property and you've already paid those taxes, you guys can go back up to two years, I believe, depending on when you filed it. We will calculate back as many years back as we can and generate a refund of the taxes that you had already paid.

Important about the exemption piece, go to go to WCAD.org my website, make sure all the exemptions are on your property. I'll add this too: we're going to go to Q & A here in a second. I have a couple that I have written down, but it's important to know these gentlemen do not have your specific information tonight. The database isn't here, they're not going to look it up. We will take general questions after this. We do have staff here that can look up your particular property if you have a specific question about something that is going on for your property, or your taxes. We do not have our value database with us, so this is not the opportunity to protest your value. Let me ask for these questions that one of our participants in the audience wrote in.

Question: Do you factor in the data such as number of days on market for home sales within comparable price ranges or you just look at the home sales price?

Answer – Alvin Lankford: It's great question. We look at the actual sale prices the properties transact for. The number of days does not have any impact. Again, if we do not use those actual sale prices, the Comptroller's Office does, and they will be grading our values on those sales. The number of days, while it may figure into what that end price is, the longer time it spends on the market, usually you start to come off your list price, which means that sale price may not be as high, but that ultimate sale price that happens is what we're going to utilize for your valuations.

Question: You had a chart that showed various attributes of a home. Do you have to come in and protest to see the Market Data tab.

Answer – Alvin Lankford: The Market Data tab that I mentioned on the website a few minutes ago, that little red house icon once you look it up that's going to take you to the map of the sales that are in your area which if you click on it will have that data you're looking at as far as the size and that sort of thing, but what you're talking about is the sales comparison grid, which is the adjustments.

That is the sales comparison grid. That's what I was telling you about. This is when you file a protest, this becomes available to you. It's not available right now in our state, because Texas is a non-sales disclosure state. We cannot publish those sales out there to you, but there is a provision in the state tax code that once that protest is filed, we can give you additional information, and that's where that comes from.

Question: Does it have how many square feet, how many bedrooms, swimming pool, and all of those things?

Answer – Alvin Lankford: It has it on there, but that again, the sale price portion of this, and the adjustments portion of this can only become available to you once you file that protest. However, if you want to look up the details of those properties, you can actually request that at the time of the protest, but I would recommend that you actually file online if you feel like your market value, if you've seen evidence out there that supports your market value this should be lower, file online and that will actually be emailed to you.

Question: I have non-homestead property, and my assessment went up 38%. That seem astronomical.

Answer – Alvin Lankford: That's going to be based on the sales in your area. I agree that seems like a very large increase, but I will tell you that the data that we have in your area will support that increase, or we would not have increased your value.

Question: All of the Ag exempt properties or wildlife exemptions, and the rollback taxes you are getting from these properties, how does that impact possibly lowering out taxes?

Answer – Larry Gaddes: It's actually not a whole lot of their total revenue that the taxing jurisdictions get. It is factored into when we hand over the revenue to the taxing units, it may be a small fraction of the revenue that is generated for Georgetown ISD, the roll back stuff. I see roll back 20, 30, \$40,000 for some properties, and as a whole that's not a significant portion of the taxing units' budget. They look at what the trends are each year for property tax revenue, and it may be a ½ of 1% for their total revenue increases. It's not a factor when they're concerned. They don't look at that one specific revenue generator. It's not that much.

Alvin Lankford: Let me come in quickly. The roll back that she's referring to, is not the same roll back rate that we were referring to in our slide presentations. This has to do with agricultural valuation, so when a property is under ag valuation, which is at much lower valuation. When it develops, the property owner at that time pays taxes on the difference between that ag value and full market value for five years in the rear. There's a number attached to that. That's what she's referring to. That value, that additional tax that is paid by those individuals, she's wondering if that would have an impact on the overall budget of those taxing units. As Larry mentioned, it is a very small amount on the whole.

Larry Gonzales: The legislature is looking at that. There is a bill to look at that five-year loop back plus interest. There are at least a couple of bills looking to change that to two or three years.

Question: Market price is inflated due to higher demand than supply. People are willing to spend extra money that they normally would not spend because they need a house. Property owners are being penalized and charged more because the value of their property is being rated by the high prices people are willing to pay. Why aren't you and the Comptroller using this situation to give us a more fair market value of what if we had the same amount of supply and demand?

Answer – Alvin Lankford: I do not disagree with anything you said. The amount of the sale price that properties ultimately sell for is what is actually being graded when the property value study from the Comptroller's office actually is done. That is live state tax code. We have to use those sales to get there. If the tax code changed and we can use some sort of lesser figure than what I've been talking about, we would do that. So really that's the responsibility of the state legislature to make those changes. Just to give you an idea, there are states in the United States that have what's called an assessment ratio. Basically if the house would sell for a hundred percent of market value they have an assessment ratio that would say, well you're only going to pay taxes on say eighty percent of what that is. So that is available to our state legislature to make those adjustments as well, but as long as the law is the way it is today, I have to do exactly what you just mentioned. I have no control over the market itself. I have to reflect what those sales are, so as long as those sales keep happening, I actually have to do that job that you just described.

Question: How do you add sales to the grid, how did the amount get determined? Is that done through software or via the appraiser?

Answer – Alvin Lankford: Are you saying if you bring in an additional sale that we don't have?

Q: Correct.

Alvin Lankford: We'll look at how comparable that property is in comparison with the sales that we already have. If we feel is an equal comparison, in other words it's very similar in square footage, it's very similar quality, age, that sort of thing, we will then insert it into that sales comparison grid. It'll make those same adjustments I mentioned before for any differences between it and your property, and then it will refigure the total numbers associated with that value.

Q: How does the quality level get corrected?

Alvin Lankford: We actually have a classing guide that our appraisers utilize to use for identifying what quality level each property is. There's a general guide that's out there that helps them identify, is this an R4 or an R5 home. It's based on the quality level of those homes. Ultimately it is looking at that moment comparison with others of lesser quality or higher quality, setting a benchmark of those, and then calling all those properties that look like that one, the same quality level. That R factor that you're talking about is the quality associated with that particular property.

Q: In a brand-new neighborhood, the sales comparisons are brand new homes compared to the older homes and adjusted for age is \$1,000. That doesn't make sense. Our property value has gone up over 50% in the two years since we bought it.

Alvin Lankford: You are in a brand new neighborhood so very new homes it's what you're saying and you're saying that there are older homes, or homes that were built when the neighborhood first created, versus homes that are now selling in that area?

Q: It's a new neighborhood, so the older homes are five or six years old, and the adjustment for a brand new one is \$1,000.

Alvin Lankford: We use a combination of all those sales. Any of the older homes that sold as well as the newer homes to do your initial evaluation. The adjustment that you're talking about is when that sales comparison grid is entered into the equation. When you're looking at those adjustments between them, then it is \$500 a year for depreciation associated with older homes versus newer homes. That's just based on the sales differences we're seeing on those properties. That's a countywide figure. It can obviously be changed over time. We're actually studying that in portions of the county now, as a part of how much depreciation should be applied with older homes versus new house.

Q: That doesn't make sense because our house if four years old has \$1,000 depreciation.

Alvin Lankford: I have to look at it. Again, I don't have your property specific information, but I will take a look at it. I gave you the time frames to come in if you'd like to talk to our appraisers about that, you can.

Question: If you choose to dispute your appraised value of your home, does the first time you walk in to talk to an appraiser, do they have a restriction or limit to how much they are allowed to adjust your property?

Answer – Alvin Lankford: We're looking at the value that should be on that property. If you're meeting with that appraiser and it goes beyond about 15%, then they will go to their manager to get approval, but there is no restriction on what that final value should be.

Q: What about the \$100,000 difference in appraised value between my house and a neighbor a few doors down that are almost identical?

Alvin Lankford: Are the square footages very similar?

Q: Within 25 square feet of each other.

Alvin Lankford: The only difference that I can think of without looking at your property, I don't know your property specifically, is there may be a quality difference that we have in our system that you're not seeing on the ground. That's something that you would want to discuss with that appraiser when you protest, to be able to see why that particular home is different than yours. But again, without looking at that myself it'd be impossible for me to answer that at this time.

Question: The Comptroller wants you to be at 100% of market value for residential properties, what about commercial properties?

Answer – Alvin Lankford: That's an interesting question. We mentioned earlier that sales are not available on properties in our state as a whole. We are in the non-sale disclosure state. You heard that said a couple of times tonight. What that means is that in some states sales are published. You literally see them in the paper every Sunday. They list all the sales of homes and businesses and everything. The Appraisal Districts in those areas have a hundred percent of the data that they need to be able to value those properties appropriately. To give you an idea of the percentages of what we get in the state of Texas. Larry mentioned having my hands tied behind my back and a blindfold. It's exactly that reason that we do, is because in residential properties we get approximately eighty to ninety percent of the sales. When you have a large sample size of sales for residential, we do a fairly good job of valuation on residential properties. However, on commercial you have a much less properties typically, but almost no sales are available out there for us to obtain. We end up with 20 to 30% of the sales on commercial properties. What happens is you have an imbalance in between who is paying their fair share of taxes, because of the sales disclosure or non-sales disclosure requirement we have in our state. Because you

only can get a larger percentage of those sales on the commercial side, you'll continue to have the residential property owners paying more than their fair share. I think it is ridiculous in our state that we have that. I would completely agree with sales disclosure. It's been at the legislature every year that I've been involved, and probably as long as you've been involved Larry, but unfortunately, it's just not ever gained any traction.

Question: How can you show a house in the comparison grid valued at a price higher than it actually sold for in November?

Answer – Alvin Lankford: There's a couple of reasons for that. One is not knowing what's inside that home. There could be some condition issues associated with that property that we are just not aware of. One of the other restrictions that are placed on us at Appraisal Districts in our state, is we can only see homes from the outside. I don't really want to go in your home. It's your private home, nor do I want anybody coming in mine, that I haven't invited there that is, but in other states they actually have access to come in and actually inspect the level or the condition of that home. We don't have that access. There's probably some of that going on with that particular home.

Chris Connolly, the guy that just handed you the mike, just the other day we were looking at a property, and this property we had valued just like other ones in that neighborhood, but if you went in and looked inside that house, which we were able to find some pictures that were available online that we didn't have, the entire house was painted a really ugly blue color and had really dated appliances. We had no idea about any of that, so it's really impossible for us to have all the accurate information, so what I also suggest is if you have a particular home, and your home has a problem that we can't identify because of that, let's say you have a crack slab. You have a roof that's 30 years old. Whatever that may be, bring in estimates to fix those items, and then we can take those into consideration. I'm not going to know how much it takes to fix those issues. You can bring in those estimates and we could do that, but that home that you talked about being used as comparable probably has something going on with it that we're just not familiar with.

Q: All of your comparables sold for less than you showed in your grid.

Alvin Lankford: Out of curiosity, were they very large square footage homes?

Q: Yes

Alvin Lankford: There are some areas that for some reason, we call it a size bias, so there are some areas that very large square footage homes do not meet the sales in our model in the way that we would intend them to. Our large homes sometimes are slightly over appraised that we may need to adjust. It may be that that property needs to be protested. We can bring it in and take a look at it.

Q: Since I filed online, can I still do a walk in before May 1st?

Alvin Lankford: On your notice there's going to be an actual date range that you can come in. I don't have your notice, but if you look on there, there is verbiage towards the bottom of the notice that will give you the date and time that we allow that walk-in period for your particular property.

Question: How long is the walk-in periods?

Answer – Alvin Lankford: We divide the county into thirds, basically. We rotate what that third is each year. A third of it'll be a week and a half, the next third it'll be two and a half weeks, and the following third will be three and a half weeks because it's from the beginning of when you receive that notice until that final day. However, if it's one of those that you are not going to be able to make your hearing, or cannot have another available time, if you'll come in and speak with our staff, we will give you some availability. We're trying to use that because what was happening in years past, when we just opened it up for everybody, nobody came in the first few weeks. Everybody waited to the last minute, and all of a sudden we had 45 minutes to an hour wait times of people all the way lined up out the door because there was no controlling the amount of flow, and definitely no controlling people's procrastination. That's what was happening. We tried to control that flow by kind of dividing it up a little bit.

Question: For those who are 65 and over in Georgetown, what part of our taxes are frozen?

Answer – Larry Gaddes: Thank you for asking me a question, I appreciate it. When you turn 65, or if you have a 65 exemption, or a disabled persons exemption, there are some portions of your taxes that freeze. Your value can fluctuate, and your value will go up and down with the market. Your tax rates will change, so the tax rate on your tax bill will fluctuate with whatever the taxing units adopt each year, but it's more of a ceiling. It's not a freeze, it's a ceiling. You will never pay more than what you're paying when you apply that exemption to your property when you turn 65 or submit your application for the exemption for the disable preference exemption.

There are three jurisdictions that are allowed to freeze their taxes for those two exemptions. Counties and County Road and Bridges. Williamson County Commissioners Court, please thank them, they have many years ago enacted the optional freeze for the County and the County Road and Bridge District. Your County and County Road and Bridge taxes freeze, the city of Georgetown specifically freezes their taxes. That was an option that they had, and by state law, all school districts must freeze their taxes for over 65 and disabled persons. If you live in Georgetown, and you are over 65 or a disabled person, your County, County Road and Bridge, Georgetown ISD, and city of Georgetown taxes, and those are the four taxing units on your tax bill, your entire tax code will freeze unless you do something like add a pool or do things like that will get re-calculated.

They'll freeze in that year that exemption is applied to your property. School Districts must freeze. Cities have the option, counties have the option, and junior colleges have the option. ACC has the option to freeze their taxes, but they do not. They offer a huge exemption for over 65 or disabled persons, but they do not freeze. It is their option to do that. They chose not to. In Williamson County, and I believe there are six or seven other cities that freeze. Cities of Cedar Park, Jarrell, Georgetown, Liberty Hill, Leander, Florence. Those are the cities that freeze. If you're in one of those cities, that's the ceiling, that's the maximum that they can go. If the combination of your value and your tax rate equals a lower tax than what you're paying in the year that you turn 65, you will pay the lower amount, but then if things change and it goes back up, you hit that ceiling, and you pay no more than that.

Larry Gonzales: It is 7:47. We said 7:30. Mr. Gaddes spoke for 17 minutes longer than he was supposed to. There are folks here to answer questions. If you visit they're going to be here to help you.

Question: On an older subdivision, why are the property values going up when the value of the utilities is going down?

Answer – Alvin Lankford: When valuing a piece of property, the first component you look at a piece of property is what the value of the land is. There are subdivisions out there, probably like the one you're mentioning right now, that haven't had a vacant lot in those subdivisions in years. They're completely built out, there is no additional land we're getting sales transactions from. What we do is study the marketplace throughout the county, and what can we determine the allocation amount. What that means is, simply the amount percentage-wise that is available to the improvement, in other words the house, or the land. It typically varies around or runs around 20%. That allocation over time, it stays at 20%, but as value as a whole grows, so does that portion of the property which is attributable to your land. Your land will go up over time, but the entire value, I can't buy your house without the land, or the land without the house. They are one complete market unit, and so really, it's that overall value that matters. It's what you pay taxes on, and also what you can actually protest. I can't adjust your land down by five thousand dollars without an increase of five thousand dollars on your improvement value, your house value, if the overall value is correct. The allocation, no matter how much we put on your land, has to then go to the improvement in order, so we hit that value as we were talking about that a state comptroller requires us to be at.

Larry Gonzales: All right, I've got two things real quick. Number one, raise your hand if you learned something new here tonight that you never heard before. Number two is for everyone to give these guys a round of applause.